

C. DUKES SCOTT
EXECUTIVE DIRECTOR

1401 Main Street, Suite 900
Columbia, SC 29201



Phone: (803) 737-0800
Fax: (803) 737-0801

DAN E ARNETT
CHIEF OF STAFF

196402

December 3, 2008

DAWN M. HIPPIE
DIRECTOR
TELECOMMUNICATIONS, TRANSPORTATION, WATER/WASTEWATER

Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Subject: Dual Party Funding, Docket No. 1992-110-C

Dear Mr. Terreni,

The purpose of this letter is to obtain the approval of the Public Service Commission of South Carolina ("Commission") to allow the Office of Regulatory Staff ("ORS") to utilize up to \$30,000 from the Dual Party Relay Operating Fund during Fiscal Year 2008-2009 for legal expenses related to the procurement of real-time closed captioning services for TV news broadcasts.

Real-time closed captioning of TV news broadcasts is currently funded by the Dual Party Relay Operating Fund through a proviso in the 2008-2009 Appropriations Act authorizes funding for all expenditures directly related to real-time closed captioning up to \$810,000. The procurement process, begun by the Commission in 2004 and transferred to ORS in 2005, continues today. With approval from the SC Attorney General's office, ORS engaged third-party legal counsel to assist with on-going litigation regarding the procurement of services. In December, the South Carolina Procurement Review Panel will hear oral arguments from all parties related to the procurement of real-time closed captioning services.

S.C. Code Ann. § 58-9-2530 allows Dual Party Operating Funds to be used for the administration and expenses related directly to providing services to the deaf and hard-of-hearing citizens. S.C. Code Ann. § 58-9-2520 identifies ORS as the administrator of the funding mechanism. ORS has incurred legal expenses related to the proper and lawful procurement of real-time closed captioning. Upon Commission approval, ORS will expense legal fees related to the procurement of real-time closed captioning from the Dual Party Relay Operating Fund.

The ORS is available to brief the Commission on this information if deemed necessary.

Sincerely,


Dawn M. Hippie

RECEIVED
2008 DEC -3 PM 2:14
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION



C. Dukes Scott
Executive Director

STATE OF SOUTH CAROLINA
OFFICE OF REGULATORY STAFF

1401 Main Street
Suite 850
Columbia, SC 29201

December 3, 2008

Mr. Charles Terreni
Chief Clerk of the Commission
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, SC 29211

RECEIVED
2008-12-03 PM 2:11
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

Re: 2008-2009 Dual Party Funding

Dear Mr. Terreni:

The Office of Regulatory Staff, in conjunction with the TRS Advisory Committee, has evaluated and compiled the Dual Party Funding requirements for fiscal year 2008-2009. We respectfully request the SC Public Service Commission review and approve the budget request which includes expanded program services and no adjustments to the present \$0.15 access line charge. The ORS is available to brief the Commission on this information if necessary.

Sincerely,

C. Dukes Scott
Executive Director

Enclosures

Table of Contents

I. Introduction

II. Dual Party Program Review

III. Dual Party Relay Program Budget History

IV. FY 08-09 Budget Request and Justification

V. Multi-Year Budget Projections

VI. Attachment A

1. Funding requests from Dual Party Program areas

I. Introduction

The South Carolina General Assembly established the South Carolina Dual Party Relay Service to provide telephone access to persons who are hearing- or speech-impaired. The South Carolina Dual Party Relay Service outlined in S. C. Code Annotated Section 58-9-2520 may include the following items:

- 1) a statewide dual party relay service;
- 2) a service provider to provide relay service that handles all intrastate calls via telecommunications devices for the deaf;
- 3) a distribution system for all TTYs ; and
- 4) the establishment of procedures to implement and administer all aspects of the dual party relay service, the distribution of TTYs, and a funding mechanism to cover all associated costs.

The General Assembly also gave the South Carolina Public Service Commission (Commission) the authority to establish the telephone relay surcharge to fund the Dual Party Relay Service programs identified by the Commission. For fiscal year 2007-2008 this surcharge was set at \$0.15 per telephone access line.

II. Dual Party Program Overview

Funded programs for the Dual Party Relay Fund for FY 2007-2008 include:

- ◆ SC TEDP Distribution Program
- ◆ SC TEDP Equipment Program
- ◆ Sprint Relay
- ◆ Real-time Closed Captioning of Local News and Emergency Broadcasts
- ◆ Closed Captioning of the General Assembly (including House, Senate, and selected ETV and Public Affairs programming)
- ◆ Closed Captioning of Instructional Programs from ETV and ITV
- ◆ Interpreters
- ◆ Collaborative Outreach

Information specific to each program is provided by program area.

1. South Carolina Telecommunications Equipment Distribution Program (SC TEDP)

The SC TEDP distributes telecommunications equipment to South Carolina residents with qualifying disabilities at no cost. The program is currently offered as an outreach service of the South Carolina School for the Deaf and Blind (SCSDB). As of June 31, 2008, SC TEDP distributed over 3,600 pieces of equipment to SC citizens.

TEDP Distribution FY07-08 Budget	\$612,760
TEDP Distribution FY07-08 Expenditures	<u>\$592,307</u>
TEDP Distribution under budget	\$ 20,453

2. South Carolina Telecommunications Equipment Program

This funding area provides the mechanism for procuring equipment for distribution through the SC TEDP. Several pieces of equipment were replaced during FY07-08 to ensure updated technology was available to all clients. The equipment offered at no-cost to South Carolina residents includes:

- ◆ Williams Sound Teletalker
- ◆ AM 6000 Alertmaster
- ◆ AM 100 Alertmaster
- ◆ Pillow switch
- ◆ XL-40 voice-amplifying phone
- ◆ VCO phone
- ◆ Artificial larynx
- ◆ Teletypewriter or TTY
- ◆ Large Visual Display Superprint
- ◆ Wireless Doorbell
- ◆ Ear Buff
- ◆ CapTel telephone
- ◆ M3 (speech augmentative device)
- ◆ PacMate (deaf/blind equipment)

TEDP Equipment FY07-08 Budget	\$717,089
TEDP Equipment FY07-08 Expenditures	<u>\$583,620</u>
TEDP Equipment under budget	\$133,469

3. Sprint Relay

Telecommunications Relay Services (TRS) enable standard voice telephone users to talk to people who have difficulty hearing or speaking on the telephone. Federal Communications Commission (FCC) rules require telephone companies to provide TRS nationwide on a 24-hour-a-day, 7-day-a-week basis, at no extra cost to callers. Conversations are relayed in real-time, and relay callers are not limited in the type, length, or nature of their calls. The current contractor, Sprint, reports that traditional TRS minutes have declined during the past year due to wireless technology and internet/video relay service availability. However, SC captioned telephone (CapTel) minutes of use have increased significantly since the program was adopted by the Commission in 2005.

The five year contract for Relay services was awarded to Sprint Communications Company, LP in October 2008. Operations under this contract will commence on January 1, 2009 and customer calls will be handled by regional call centers nationwide.

Sprint FY07-08 Budget	\$1,693,509
Sprint FY07-08 Expenditures	<u>\$1,477,189</u>
Sprint under budget	\$ 216,320

4. Real-time Closed Captioning of Local News and Emergency Broadcasts

The real-time closed captioning program provides the hearing-impaired community access to local news broadcasts and emergency broadcasts in South Carolina. At least one station in each of the four major media markets provides real-time closed-captioning during its local news broadcasts, along with emergency news broadcasts. The stations currently used are WYFF in Greenville, WIS in Columbia, WBTW in Florence, and WCSC in Charleston.

This service is provided by the South Carolina Association for the Deaf, Inc. (SCAD). A proviso in the 2008-2009 Appropriations Act authorizes funding for all expenditures directly related to real-time closed captioning. ORS continues its efforts to procure this service through the competitive bidding process.

Real Time Closed Captioning FY07-08 Budget	\$810,000
Real Time Closed Captioning FY07-08 Expenditures	<u>\$780,112</u>
Real Time Closed Captioning under budget	\$ 29,888

5. Captioning of Instructional Programs from ETV and ETV - ITV

The ETV and ETV-ITV captioning programs support FCC required captioning of instructional and public service programming aired statewide and in school classrooms.

ETV Closed Captioning FY07-08 Budget	\$138,000
ETV Closed Captioning FY07-08 Expenditures	<u>\$ 81,445</u>
ETV Closed Captioning Distribution under budget	\$ 56,555

6. Captioning of the General Assembly (including House, Senate, Legislative Programming, Public Affairs Programming, and Special Public Events)

The purpose of the General Assembly captioning program is to provide closed-captioning services for the hard-of-hearing and deaf community for sessions of the South Carolina Senate and House of Representatives and to provide Communication Access Real-time Translation (CART), or interpreter services, for committee meetings and public hearings. Recognizing that the General Assembly does not require these services year-round and that the duration of the daily meetings is impossible to forecast, the House and Senate continues their partnership with South Carolina Educational Television (ETV) to provide captioning for legislative programming, certain public service programming, and selected special public events broadcast by ETV.

General Assembly Closed Captioning FY07-08 Budget	\$175,000
General Assembly Closed Capt. FY07-08 Expenditures	<u>\$194,866</u>
General Assembly Closed Capt. over budget	\$ 19,866

7. Interpreters

The interpreter program provides American Sign Language and CART services during the quarterly TRS Advisory Committee meetings and other TRS-related situations needing these services.

Interpreters FY07-08 Budget	\$3,700
Interpreters FY07-08 Expenditures	<u>\$1,400</u>
Interpreters under budget	\$2,300

8. Collaborative Outreach

The TRS Advisory Committee collaborated to provide joint marketing and increase awareness of each program funded by the Dual Party Relay Fund. The 30 minute ETV special highlighting the funding areas is still under production and is slated to air in May 2009. ETV will donate the majority of the production resources.

Outreach FY07-08 Budget	\$5,000
Outreach FY07-08 Expenditures	<u>\$ 0</u>
Outreach under budget	\$5,000

III. Dual Party Relay Program Budget and Financial History

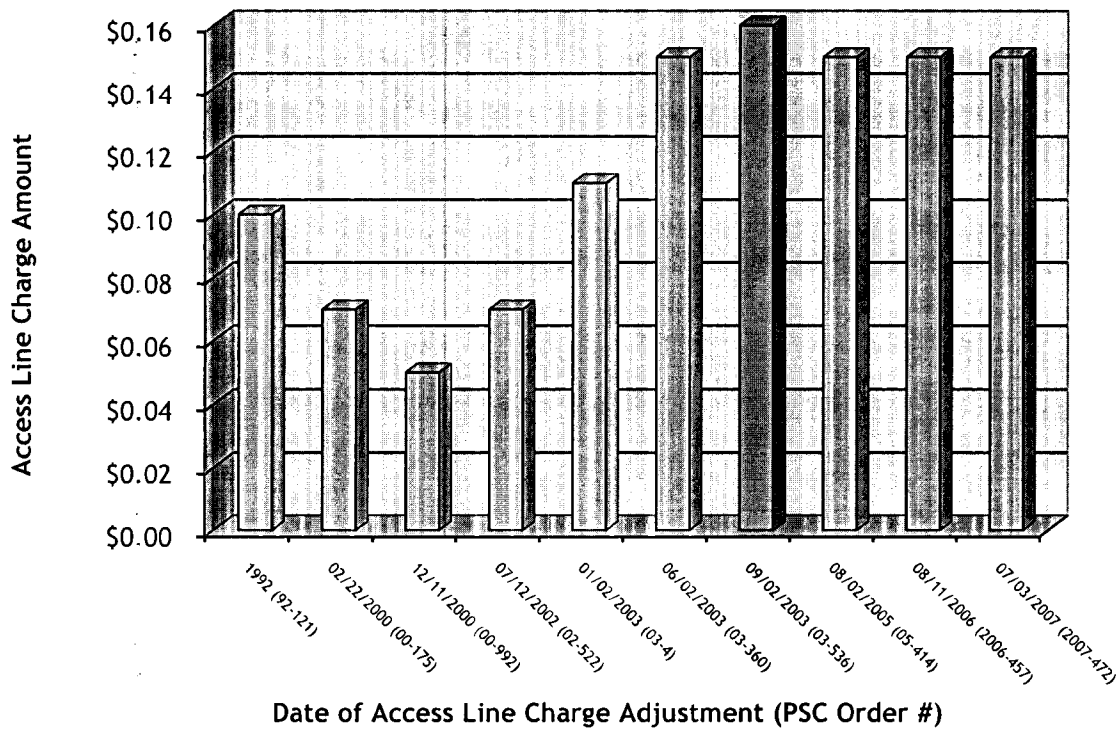
Budget and Access Lines Surcharge History

Listed below is the budget history of the Dual Party Relay Program since 2003 along with a historical representation of the Dual Party Relay Surcharge.

Table 1. Dual Party Budgets 2003-2008

Funded Program	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY07/08
Sprint Relay	\$3,960,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,693,509
Sprint (Outreach Program)	\$0	\$100,000	\$0	\$0	\$0
Instructional Closed Captioning (ETV)		\$235,000	\$133,741	\$133,741	\$138,000
SC General Assembly - Closed Captioning	\$530,000	\$155,000	\$175,000	\$175,000	\$175,000
Real-Time Closed Captioning of TV Broadcasts	\$740,000	\$810,000	\$810,000	\$810,000	\$810,000
SC TEDP (Distribution)	\$380,000	\$472,870	\$521,483	\$572,780	\$612,760
SC TEDP (Equipment)	\$650,000	\$435,000	\$435,000	\$559,837	\$717,089
Collaborative Outreach					\$5,000
Interpreters		\$3,700	\$3,700	\$3,700	\$3,700
Total Budget	\$6,260,000	\$4,111,570	\$3,978,924	\$4,155,058	\$4,155,058

Dual Party Access Line Charge History



FY 2007-2008 Financial Data

The Dual Party Relay Program began the fiscal year with a balance of:	\$1,877,143
Actual Revenue for FY 07-08:	<u>\$3,857,456</u>
Total Available Funds	\$5,734,599
Actual Expenditures:	\$3,710,939
Carry-forward at end of FY 07-08:	\$2,023,660

Access Line Information

The Dual Party Relay Program is funded by charging landline telecommunications carriers with access lines in SC a monthly surcharge on each line. The historic number of access lines reported to the Dual Party Relay Program since FY05 is listed below in Table 2. It should be noted the increase in reported access lines in 2005-2006 is contributed to increased reporting activity by the telephone carriers. It appears SC has experienced a slight overall decline in access lines from 2005 to 2008.

Table 2. Dual Party Annual Access Lines and Annual Program Revenue

<i>Year</i>	<i>Annual Reported Access Lines</i>	<i>Per Line Charge</i>	<i>Total Annual Revenue</i>
2004-2005	24,945,744	\$0.16	\$3,991,319
2005-2006	25,509,708	\$0.15	\$3,826,456
2006-2007	24,965,160	\$0.15	\$3,744,774
2007-2008	24,836,520	\$0.15	\$3,725,478

2008-2009 Revenue Projection

Table 3 details projected access lines and 2008-2009 program revenue. Projections are based on an annual decrease of 1.4% in access lines based on data from the March 2008 FCC Wireline Competition Report. This decline is corroborated by the month-to-month decline in reported access lines to the Dual Party Relay Program during FY 07-08.

ORS recommends the access line charge be maintained at \$0.15 per access line for the upcoming year. In addition, ORS recommends eliminating the \$750,000 contingency funding since this contingency has not been used by ORS and is contributing to a revenue carry forward.

Table 3. Dual Party Average Access Lines and Projected Program Revenue

<i>Year</i>	<i>Average Monthly Access Lines</i>	<i>Per Line Charge</i>	<i>Total Projected Revenue</i>
2007-2008	24,836,520	\$0.15	\$3,725,478
2008-2009	24,578,221	\$0.15	\$3,686,733
2009-2010	24,322,608	\$0.15	\$3,648,391
2010-2011	24,069,647	\$0.15	\$3,610,447
2011-2012	23,819,327	\$0.15	\$3,572,899

V. 2008-2009 Budget Request

Funds Available For FY 08-09

Actual carry-forward at beginning of year:	\$2,023,660
Projected Revenue at \$0.15/access line:	<u>\$3,686,733</u>
Total Cash Available	\$5,710,393

Less Contingency*	(\$ 0)
-------------------	--------

Amount Available for Funded Programs	\$5,710,393
--------------------------------------	--------------------

* Contingency represents approximately 2 months operating expense. ORS recommends eliminating the contingency for FY 08-09.

Budget Requests for FY 08-09

ORS collected and reviewed budget requests submitted by currently funded program areas. Table 4 provides a comparison between the FY 07-08 approved budget and FY 08-09 proposed budget and justification for program area increases.

Table 4. Budget Comparison and Justification

Funded Program	FY07/08 Budget	FY08/09 Request	Amount of Increase	Justification
SC TEDP (Distribution)	\$612,760	\$899,583	\$286,823	46.8% growth represents 1% cost of living increase for SCSDB employees, addition of outreach coordinator position, marketing services and final installment of software upgrade to CRM system.
SC TEDP (Equipment)	\$717,089	\$717,089	\$0	Increase in Captel orders off-set by price reductions on other equipment.
Sprint Relay	\$1,693,509	\$1,423,524	\$(269,985)	Reduction due to decline in traditional TRS usage and procurement.
Real-Time Closed Captioning of TV Broadcasts	\$810,000	\$810,000	\$0	No increase projected for over-all program expenses. ORS requests approval to use up to \$30,000 of this request for legal expenses related to the procurement of real-time closed captioning.
Instructional Closed Captioning (ETV)	\$138,000	\$138,000	\$0	No increase projected for program
Collaborative Outreach Programming	\$5,000	\$0.00	\$(5,000)	One-time expense
SC General Assembly - Closed Captioning	\$175,000	\$175,000	\$0	No increase projected for program
Interpreters	\$3,700	\$2,500	\$(1,200)	Decrease based on actual expenses
Total Budget	\$4,155,058	\$4,165,696	\$10,638	.25% increase over FY07-08 Budget

Discussion of Budget Request:

1) This budget request allows full funding for expansion as requested by each program area and detailed in the above table.

2) Real-Time Closed Captioning of TV News Broadcasts Funding Request

ORS requests the approval to use up to \$30,000 of the \$810,000 budgeted for real-time closed captioning of TV news broadcasts for legal expenses incurred by ORS in its efforts to complete a procurement of real-time closed captioning services. According to S.C. Code § 58-9-2530(B) and a proviso in the 2008-2009 Appropriations Act, expenditures directly related to real-time closed captioning can be funded from the Dual Party Relay Operating Fund.

Attachment A includes a copy the funding request submitted by program area.

The requested budget would allow the Dual Party Relay Surcharge to be maintained at \$0.15 per access line.

VI. Multi-Year Budget Projection

Program Area	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
SC TEDP - Distribution Program	\$592,307	\$899,583	\$816,672	\$816,672	\$816,672
SC TEDP - Equipment Program	\$583,620	\$717,089	\$800,000	\$800,000	\$800,000
Sprint Relay	\$1,477,145	\$1,423,524	\$1,423,524	\$1,423,524	\$1,423,524
Real-Time Closed Captioning	\$780,112	\$810,000	\$810,000	\$810,000	\$810,000
SC General Assembly Closed Captioning	\$194,866	\$175,000	\$175,000	\$175,000	\$175,000
Instructional Closed Captioning	\$81,445	\$138,000	\$138,000	\$138,000	\$138,000
Collaborative Outreach	\$0	\$0	\$0	\$0	\$0
Interpreters	\$1,400	\$2,500	\$2,500	\$2,500	\$2,500
Total Budget Request	\$3,710,895	\$4,165,696	\$4,165,696	\$4,165,696	\$4,165,696
Projected Revenue*	\$3,857,456	\$3,686,733	\$3,648,391	\$3,610,447	\$3,572,899
Projected Carry-forward	\$1,877,143	\$2,023,660	\$1,544,697	\$1,027,392	\$472,143
Total Funds Available	\$5,734,599	\$5,710,393	\$5,193,088	\$4,637,839	\$4,045,042
Budget Surplus/Deficit	\$2,023,704	\$1,544,697	\$1,027,392	\$472,143	(\$120,654)

*Based on a 1.4 % annual decrease in access lines and \$0.15 per access line.

Attachment A

- I. Funding requests from Dual Party Program areas
 - A. SC TEDP Distribution Program
 - B. SC TEDP Equipment Program
 - C. Instructional Closed Captioning (ETV/ETV-ITV)
 - D. Real-Time Closed Captioning of TV News Broadcasts